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Approved by:

Alan D. Hrapsky, Agricultural Counselor
U.S. Embassy

Prepared by:

Joao F. Silva, Agricultural Specialist

Report Highlights:

The outlook for beef production and exports calls for a small rebound in 2009. The sector faces new challenges due to a restructuring of Brazil's cattle sector and lower beef export volume. Domestic demand for beef is expected to remain the main driver of the sector's performance in spite of rising retail beef prices, since consumer's real incomes continue to rise with a projected growing economy in 2009. Pork production is also expected to increase in 2009 as the sector will likely benefit from higher exports and stable domestic demand. However, higher costs of production for beef and pork as well as lower profitability margins are key uncertainties for 2009.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Brasilia [BR1]
[BR]

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Note: Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>

Executive Summary

Cattle and beef production in 2009 is face new challenges such as lower availability of cattle for slaughter, increasing production costs, and reduced export volume for the first time in a decade stemming from restrictions imposed by the European Union and a slow down in world demand due to higher beef prices. Among the positive factors are booming export earnings due to the higher export value of beef and firm domestic demand based on a projected 4 percent economic growth rate in 2009 and rising consumer purchasing power. The outlook for pork calls for continued increase in production and exports, as well as increases in production costs due to higher feed costs.

Commodity Outlook, Cattle**Production**

After several years of intense cow slaughter, the Brazilian beef industry is facing lower availability of fat cattle for slaughter. This situation has prompted an increase of 30 percent in cattle prices during Jan-August 2008, compared to an increase of 19 percent in the same period in 2007.

Cattle inventories are expected to reach nearly 180 million by the end of 2009 as post revised calf crop production lower due to a census of Brazil's cattle herd and new indices of productivity obtained from the trade. Main factors that have contributed to increase the productivity in the cattle industry in Brazil are the cross-breeding programs with the use of imported genetics, restoration of degraded pasture land and improved pasture programs.

One of the most important government programs available to cattle producers in Brazil is the Moderagro, which includes loans at subsidized yearly interest rates of 8.75 percent. For reference, the benchmark "selic" rate is 13 percent. This program includes financing of improved forage seed production, genetics, soil erosion, etc. For the upcoming agricultural marketing year (Oct 2008 through Sep 2009), the total amount of funds available under Moderagro is US\$ 490 million. In addition to government programs, large Brazilian beef packers are beginning to finance cattle producers in the same manner that poultry and pork packers finance their producers in order to guarantee the availability of quality cattle at a negotiated cattle price.

Geographic Distribution

The expansion of the sugarcane and ethanol industries and the increase in the price of land due to the competition for crop land derived from rising world food prices have contributed to the expansion of the cattle industry towards the Amazon and increased the debate about the environmental implications for the rain forest. Although reliable data is not available, it is estimated that there are currently between 70 and 75 million head of cattle in the so-called legal Amazon, which includes the rain forest and a major area of the Cerrados (savannah) of Brazil's center-west regions.

The increase in the cattle herd in the legal Amazon has also prompted an increase in slaughter plants in Mato Grosso state. However, major beef packers remain in the interior of Sao Paulo and neighboring states. The increase in use of feedlot is also another factor resulting from the environmental sensitivity of the expansion of the cattle industry in the Amazon region.

Animal Health Update

Brazil is again recognized by the OIE as FMD-free with vaccination all states in the center-south regions after the 2005 outbreak of FMD in Mato Grosso do Sul and Parana. The state of Santa Catarina is now an FMD Free Zone with no vaccination. Although the state is not an important beef producer, it is the main center of production for swine and poultry in Brazil.

The Minister of Agriculture recently projected that within three years Brazil will likely be free of FMD, but funds for controlling the disease and improving laboratory support are still lacking. Brazil has also intensified its collaborative programs with Mercosul members to help control of FMD along the border.

The number of certified cattle farms eligible to export to the European Union increased from 106 early in the year to nearly 200 in August. Analysts expect this number to reach 300 by the end of this year and 1,800 farms by the end of 2009. It is estimated that each animal in the EU list is currently receiving a premium of about \$10 per arroba (15 kilograms).

Trade

The outlook for cattle exports remains strong and post estimates that exports will likely increase by nearly 20 percent in 2009. Lebanon and Venezuela remain as strong markets for Brazilian slaughter cattle. The state of Para in the Amazon region is the main source of live cattle for exports. The increase in exports of live cattle has also prompted criticism of the beef industry as exacerbating the shortage of cattle for slaughter and raising the price of finished cattle. In addition to the beef industry, the hides and skins industry has started to criticize and urges government intervention against live cattle exports.

Commodity Outlook, Beef

Production

Post forecasts beef production to recover in 2009 due to the following factors: a) increased exports; b) higher availability of cattle for slaughter; and c) continued domestic demand for beef as the Brazilian economy continues to perform well and economic growth is expected to be around 4 percent. Post revised beef production down in 2008 due to lower exports and lower availability of cattle for slaughter.

Consumption

The outlook for 2009 calls for continued expansion in demand as Brazilians maintain their purchasing power. Despite the increase in the retail price of beef during the first semester of the year, domestic consumption is the main driver of Brazil's beef performance in 2008 boosted by higher consumer purchasing price and more availability of beef to the domestic market. The retail price of beef during the first half of 2008 increased by an average 10 percent, above the official inflation rate for the period of nearly 4 percent. However, competition from poultry, pork and fish was able to prevent a major hike in beef prices. As of August 2008 beef prices began to decline in Brazil.

Trade

The forecast for Brazilian beef exports in 2009 calls for an increase of two percent over the current year. The forecast is based on a small recuperation of exports to the European Union and other markets. The industry also expects exports to Chile to be resumed. Chile was a traditional importer of Brazilian beef before the ban in 2005.

Review of 2008: Post revised downwards beef exports in 2008 by 11 percent in volume due to the restrictions imposed by the European Union and weaker world beef demand due to higher beef prices. However, the export value of frozen beef exports in 2008 is expected to reach a record due to a surge of 67 percent in the average export price of beef. To some destinations, such as Russia and Ukraine, the export price of Brazilian beef rose between 90 and 115 percent, which contributed to reduced the export volume of beef to these markets.

As previously reported, exports to the European Union are down in 2008 due to restrictions on the number of Brazil's cattle farms eligible to export. Although, the list of properties is increasing each month, Brazil will not be able to recuperate that market until the second half of 2009.

According to trade sources, during the 2007/08 Hilton-quota fiscal year (July-June), Brazil only filled half of the Hilton quota of 5,000 metric tons. The main reason is difficulties in obtaining beef from certified cattle farms. The Brazilian government has not yet distributed the new Hilton quota for the 2008/09 Hilton-quota fiscal year.

EU Imports of Brazilian Beef			
(1,000 MT – PWE - Jan-Jul 2006-08)			
Type	2006	2007	2008
Fresh/Frozen	191,161	128,157	26,183
Processed	53,083	63,524	58,982
Total	244,244	191,681	85,165

Source: Brazilian Official Customs Data

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 percent factor for conversion of processed beef into Carcass Weight Equivalent (CWE), while post uses 1.79. The same applies for boneless beef, as Post uses 1.42 as the conversion factor, while Brazilian trade sources use 1.36. In addition, and as per FAS reporting instructions, variety meats (beef offals), HTS 0206 are not included for reporting purposes in our PSD and Trade Matrix tables.

Tariff Rate table

Tariff Number	Product Description	Rate (%) *	Other Info
0201.10.10 0202.10.10	Fresh or Frozen Bone-in Beef Cuts or Carcasses	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Beef	12	Duty-free from Mercosul
0206.10.00	Bovine: Variety Meats	10	Duty-free from Mercosul
0210.20.00	Meat of Bovine Animals	10	Duty-free from Mercosul
1602.50.00	Processed Bovine Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 8/29/2008.

Stocks

There are no government held stocks for beef in Brazil

Policy

There are no major changes in policies for beef production and exports. Brazilian packers remain eligible for all production and export financing programs listed in GAIN 5622.

Marketing

Market promotion continues to emphasize major world trade shows, such as Moscow and Sial shows, but Brazilian packers are focusing more on Arab, Middle-East countries, and Asia. New market prospecting is currently being conducted in China, Indonesia, Malaysia, South Africa and Morocco. Market promotion funds specific for beef promotion is estimated at US\$ 5 million in 2008. In addition, beef exporters also benefit from a promotion package involving all three major meats (beef, pork, and chicken) targeted at the European Union.

Commodity Outlook, Swine and Pork**Production**

Post projects pork production to increase in 2009 by 3 percent reflecting firm domestic demand and continued increase in exports. The increase in production assumes that production costs will likely moderate in the upcoming crop year, as current projections call for large corn and soybean crops.

Near 60 percent of pork production in Brazil is concentrated in the three southern states of Santa Catarina, Parana, and Rio Grande do Sul. Santa Catarina which accounts for 25 percent of the total Brazilian pork production was recently declared as free of FMD without vaccination by the OIE.

Because production in these states is highly vertically integrated, returns are likely expected for hog producers in these areas because of the strong support (genetics and financing) from the large pork packers. During Jan-Jul 2008, hog production costs (live weight per kilogram) in the state of Santa Catarina, increased by 26 percent, as compared to the same period in 2007. However, in the same period, the price of live hog per kilogram increased by 42 percent.

Consumption

Domestic consumption of pork is projected to continue stable in 2009, despite competition from beef and broilers. The higher price of beef in the domestic market had a moderate impact on pork consumption, as pork is third in Brazilian preference for meats, after beef and chicken. Pork utilization in Brazil is estimated at 70 percent for industrial/processing and 30 percent for fresh consumption. The increase in domestic pork consumption is due to stronger market promotion conducted jointly by producers and packers to increase per capita domestic consumption of fresh pork in Brazil. Promotional activities for pork started in the center-south of the country, but it has expanded to other major cities in the southeast. Pork producers remain concerned about the seasonal trend of fresh pork consumption in Brazil that is concentrated during the winter months (June-August), and are trying to address this concern with their campaign to promote the benefits of year-round pork consumption. Pork producers also are trying to close the gap between the regions of Brazil in terms of pork consumption. Currently, per capita pork consumption is concentrated in the South with per capita consumption at 18 kilograms and the Southeast at 15 kilograms, while the Center-West (11 kilograms) and Northeast (6 kilograms) regions consume less pork.

Trade

The outlook for 2009 calls for an increase in pork exports of about 4 percent as Brazil continues to expand shipments to non-traditional markets, although exports are still concentrated in the Russian market. Local exporters are concerned with the long-term impact of this concentration because of Russia's increase in pork production. During Jan-July 2008, pork exports to Russia declined by 11 percent in volume, although the export value increased by nearly 30 percent. The strong demand for pork in Asia also stimulated the increase in the value of Brazil's exports to nearly all destinations during the first half of 2008.

Brazil is still negotiating market access for pork with China, Japan, South Korea and Philippines. Now that the state of Santa Catarina is free of FMD without vaccination, the Brazilian government is pressuring these countries for market access. Also, in 2008, the U.S. Department of Agriculture sent the first technical team to Santa Catarina to begin a risk assessment for Brazilian pork.

Stocks

There are no government held stocks for pork in Brazil

Policy

There are no major changes in policies for pork production and exports. Brazilian packers remain eligible for all production and export financing programs listed in GAIN 5622.

Marketing

Market promotion remains targeted at major world trade shows, but focused on specific markets with potential export growth. The Brazilian Pork Processors and Exporters Association (ABIEPCS) renewed its agreement with APEX for over US\$ 4.1 million for market promotion activities during 2008/09, of which APEX will fund 50 percent. Target overseas markets include: Asia, East European countries, the European Union, and other countries in Latin America.

Tariff Rate Table

Tariff Number	Product Description	Rate (%) *	Other Info
0203.10.10 0203.20.10	Fresh or Frozen Bone-in Pork Cuts or Carcasses	10	Duty-free from Mercosul
0201.30.00 0202.30.00	Fresh or Frozen Boneless Pork	10	Duty-free from Mercosul
0206.30.00	Pork: Variety Meats	10	Duty-free from Mercosul
0210.11.00	Pork meat	10	Duty-Free from Mercosul
1602.40.00	Processed Pork Meat	16	Duty-free from Mercosul

- Assessed on the CIF value of the product
- Updated as of 8/29/2008

PSD Tables

Animal Numbers, Cattle

Animal Numbers, Cattle Brazil	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Total Cattle Beg. Stks	180300	180300	173830	187087		175437	177492		
Dairy Cows Beg. Stocks	36021	36021	34766	37515		35090	35403		
Beef Cows Beg. Stocks	50484	50429	48672	52520		49122	49565		
Production (Calf Crop)	54450	54450	48845	57852		48685	49660		
Intra-EU Imports	0	0	0	0		0	0		
Other Imports	10	0	0	2		0	0		
Total Imports	10	0	0	2		0	0		
Total Supply	234760	234750	222675	244941		224122	227152		
Intra EU Exports	0	0	0	0		0	0		
Other Exports	438	280	438	525		525	580		
Total Exports	438	280	438	525		525	580		
Cow Slaughter	16058	16773	15393	14796		13282	12304		
Calf Slaughter	600	700	600	500		400	400		
Other Slaughter	26407	24877	26342	28700		28223	30037		
Total Slaughter	43065	42350	42335	43996		41905	42741		
Loss	4170	4453	4465	4200		4200	4200		
Ending Inventories	187087	187667	175437	196220		177492	179631		
Total Distribution	234760	234750	222675	244941		224122	227152		
CY Imp. from U.S.	0	0		0			0		
CY. Exp. to U.S.	0	0		0			0		

Note: Not Official USDA Data.

Cattle, Beef

Meat, Beef and Veal Brazil	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Slaughter (Reference)	43065	42350	42335	43996		41905	42741		
Beginning Stocks	0	0	0	0		0	0		
Production	9470	9325	9303	9710		9205	9395		
Intra-EU Imports	0	0	0	0		0	0		
Other Imports	30	30	31	30		29	28		
Total Imports	30	30	31	30		30	28		
Total Supply	9500	9355	9334	9740		9234	9423		
Intra EU Exports	0	0	0	0		0	0		
Other Exports	2189	2235	2215	2200		1972	2015		
Total Exports	2189	2235	2215	2200		1972	2015		
Human Dom. Consumption	7311	7120	7119	7540		7262	7408		
Other Use, Losses	0	0	0	0		0	0		
Total Dom. Consumption	7311	7120	7156	7540		7262	7408		
Ending Stocks	0	0	0	0		0	0		
Total Distribution	9500	9355	9334	9740		9234	9423		
CY Imp. from U.S.	0	0	0	0		0	0		
CY. Exp. to U.S.	125	125	118	124		120	132		

Note: Not Official USDA Data.

Export Trade Matrix, Beef, Jan-Jun 2007-08

Export Trade Matrix			
Country			
Brazil			
Commodity			
Meat, Beef and Veal			
Time Period	Jan-June	Units:	Metric Tons
Exports for:	2007		2008
U.S.	33,845	U.S.	26,118
Others		Others	
Algeria	29,940		25,514
Chile	3,501		2,410
Egypt	110,040		45,777
European Union	167,886		76,015
Hong Kong	42,990		62,508
Iran	31,009		25,004
Israel	20,913		14,549
Lebanon	9,129		9,093
Philippines	21,430		9,201
Russia	229,417		201,903
Saudi Arabia	25,432		22,806
Ukraine	2,924		7,154
Venezuela	22,307		41,964
Total for Others	716,918		543,898
Others not Listed	63,292		83,938
Grand Total	814,055		653,954

HTS: 0201, 0202, 021020, 160250

Animal Numbers, Swine

Animal Numbers, Swine Brazil	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Total Beginning Stocks	33147	33147	33147	33817		32797	32870		
Sow Beginning Stocks	3040	3040	3040	3050		3050	3080		
Production (Pig Crop)	35530	34530	33940	36255		35080	36040		
Intra-EU Imports	0	0		0		0	0		
Other Imports	0	0		0		0	0		
Total Imports	0	0	0	0		0	0		
Total Supply	68677	67677	67087	70072		67877	68910		
Intra EU Exports	0	0		0		0	0		
Other Exports	3	0		5		0	0		
Total Exports	3	0	0	5		0	0		
Sow Slaughter	150	180	180	150		150	125		
Other Slaughter	33110	32710	32710	34367		33757	34800		
Total Slaughter	33260	32890	32890	34517		33907	34925		
Loss	1597	1600	1400	1595		1100	1100		
Ending Inventories	33817	33187	32797	33955		32870	32885		
Total Distribution	68677	67677	67087	70072		67877	68910		
CY Imp. from U.S.	0	0		0		0	0		
CY. Exp. to U.S.	0	0		0		0	0		

Note: Not Official USDA Data.

Swine, Pork

Meat, Swine Brazil	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Slaughter (Reference)	33260	32890		34517		33907	34925		
Beginning Stocks	0	0	0	0		0	0		
Production	2990	2970		3110		3055	3160		
Intra-EU Imports	0	0		0					
Other Imports	0	0		0					
Total Imports	0	0	0	0		0	0		
Total Supply	2990	2970	0	3110		3055	3160		
Intra EU Exports	0	0		0					
Other Exports	730	660		770		675	705		
Total Exports	730	660	0	770		675	705		
Human Dom. Consumption	2260	2310		2340		2380	2455		
Other Use, Losses	0	0		0					
Total Dom. Consumption	2260	2310	0	2340		2380	2455		
Ending Stocks	0	0		0					
Total Distribution	2990	2970	0	3110		3055	3160		
CY Imp. from U.S.	0	0		0		0	0		
CY. Exp. to U.S.	0	0		0		0	0		

Note: Not Official USDA Data.

Export Trade Matrix, Pork, Jan-Jun 2007-08

Export Trade Matrix			
Country			
Brazil			
Commodity			
Meat, Swine			
Time Period	Jan-June	Units:	Metric Tons
Exports for:	2007		2008
U.S.	0	U.S.	0
Others		Others	
Albania	4,729		1,817
Angola	7,923		8,228
Argentina	12,657		14,716
European Union	0		0
Georgia	2,685		2,322
Hong Kong	42,209		58,465
Russia	136,909		115,811
Singapore	17,699		11,175
South Africa	147		119
UAE	3,324		3,084
Ukraine	25,541		22,477
Uruguay	5,365		5,445
Total for Others	259,188		243,659
Others not Listed	19,111		24,135
Grand Total	278,299		267,794

HTS: 020311,020312,020319,020321,020322,020329,021011,021012,021019,160241,160242,160249.